

Citizens' Utility Ratepayer Board

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1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
Fax: (785) 271-3116
<http://curb.kcc.state.ks.us/>

HOUSE UTILITIES COMMITTEE H.B. 2084

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 9, 2005

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2048. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

Energy Efficiency and Conservation (Section 1(a) and 1(c))

This bill is unnecessary and simply duplicates existing law. K.S.A. 66-117(e) provides that the Commission may allow an additional ½% to 2% increase in the utility rate of return for investments that can be reasonable expected to produce energy from renewable resources, cause conservation of energy used by customers or bring about more efficient use of energy by customers.

This bill requires that the Kansas Corporation Commission “*shall*” authorize recovery of 112% (110% for commercial customers) of “*any*” investments in energy efficiency and conservation programs for residential customers. Unfortunately, the bill does not require that these investments actually increase energy efficiency or result in increased conservation. The utility simply receives 12% (or 10% for commercial customers) profit on any money invested, without any requirement that consumer receive an equivalent benefit. CURB believes this an ill-advised, and expensive public policy.

CURB also questions the rationale for paying a utility a higher rate of return on this type of investment. Utility shareholders receive a return on the capital invested in the utility. The utility in turn invests the capital as necessary to provide service. There is no rationale to suggest that shareholders need to receive a higher return on certain types of investments, or that ratepayers should be required to pay a higher return on certain types of investments.

Aside from the higher return on “investments” in energy efficiency and conservation programs, ratepayers will also likely be required to pay the increased expenses associated with administering these types of program. Running these types of programs will require additional employees and administrative expenses, which will also be charge to ratepayers in addition to the higher rate of return on investment.

Uncollectible Bill (Section 1(b))

This bill requires that the Kansas Corporation Commission “*shall*” authorize recovery of 112% of “*any*” investments programs to reduce uncollectible bills of residential customers. Again, the bill does not require that these programs actually reduce uncollectible bills.

The bill requires the use of “prepaid energy cards or similar programs” that place the “responsibility for wise use of energy on customers at high risk of having uncollectible bills”. It appears to be a fundamental assumption of this bill that someone having a high risk of not paying his or her bill does not use energy wisely. CURB suggests that someone at high risk of not paying his or her bill might simply live on a sub-standard income, or might live in sub-standard housing, which is wholly unrelated to wise energy use. To assume that someone that have trouble paying his or her bill doesn’t have the same incentive that the rest of us have to keep their energy costs as low as possible is unfounded.

The bill requires the utility, in order to get recovery of the costs in this section, to develop a policy for identifying “such high risk customers” that must be approved by the Commission. The bill is unclear about whether the policies are to be designed to identify customers at a high risk of not paying their bills, or identifying customers that do not use energy wisely, and thereby have trouble staying current on bills. This is a key distinction. While determining who has trouble paying bills may be easy enough, exactly what policy the utility and the Commission will use to determine whether a customer is using energy wisely is beyond comprehension.

Worse yet, the bill appears to be an attempt to take away the protections provided to customers under the cold weather rule, in that cold weather rule “shall not” apply to customers “participating” in the programs instituted by the bill. The bill is unclear whether the “participation” is voluntary or not. However, CURB does not believe it is a good policy to simply remove the protection the cold weather rule affords those who struggle to pay bills. If this portion of the bill does pass, the Committee should make clear that participation in this type of program is voluntary.

CURB does recognize that the issue of uncollectible bills affects all utility consumers. However, CURB believes that there are some systemic problems, both income related and housing related that are more likely indicative of non-payment. Certainly having natural gas costs at record high levels is exasperating the problem. This bill does nothing to address the systemic problems that may be affecting a customer’s ability to pay, and simply serves and a mechanism to shut off utility service to portion of Kansas consumers. CURB would suggest that making an attempt to address some of the systemic problems that lead to uncollectible bills (perhaps through a KCC docket addressing conservation and efficiency) is the proper way to help all people in the state pay their utility bills

For the above reasons, CURB respectfully requests that the Committee not pass this bill.